

Revenue Information Bulletin No. 12-030

November 8, 2012

Individual and Corporation Income Tax

Claiming the Credit for Louisiana Citizens Property Insurance Corporation Assessments

This Revenue Information Bulletin provides information on claiming the credit for Citizens emergency assessments paid on or after January 1, 2011.

Louisiana Revised Statute 47:6025, authorizes a refundable income tax credit for Louisiana Citizens Property Insurance Corporation (Citizens) assessments that resulted from Hurricanes Katrina and Rita.

The amount of the credit

Property insurance premium notices may include the Citizens assessments due to Hurricanes Katrina and Rita. The “Louisiana Citizens FAIR Plan Emergency Assessment” charge listed on the policy’s declaration page or supplementary schedule is eligible for the credit or refund. The declaration page names the policyholder, describes the property or liability to be insured, the type of coverage, and policy limits. If there is not enough space on the declaration page, a supplemental schedule that itemizes the Citizens assessments may be attached to the premium notice.

Only the separately stated Citizens assessment is eligible for the credit. The insurance premium may not be added to the Citizens assessment credit.

The Citizens assessment description varies among property insurers and may appear on your policy declaration page with wording such as “LA Fair plan emergency assessment surcharge,” “LA Fair plan,” “Citizens-FE” or “Citizens Emergency Fair.”

Claiming the credit

The credit should be claimed in the year the assessment was actually paid regardless of the due date of the premium or renewal date of the policy. Citizens assessments may be claimed on either the income tax return for the year in which the payment is made or on the Request for Refund of Louisiana Citizens Property Insurance Corporation Assessment, Form R-540INS for individuals and Form R-620INS for business entities, at the time of payment.

For example, an individual taxpayer who paid a Citizens emergency assessment during 2011 may either claim the credit on the 2011 R-540INS immediately after payment or on their 2011 income tax return which is due May 15, 2012.

If the credit is claimed on Form R-540INS or Form R-620INS at the time of payment, the credit may not be claimed on the Louisiana income tax return for the year in which payment is made.

Taxpayers have approximately four years from the date of payment of a Citizens assessment to claim the credit. Under La. R.S. 47:1623A, refunds prescribe three years from the 31st day of December of the year in which the tax became due. For example, a Citizens assessment paid in 2008 must be claimed on the 2008 income tax return or 2008 INS Request for Refund form. Taxes associated with 2008 income tax returns became due on January 1, 2009. Three years from

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December 31, 2009 is December 31, 2012. Therefore, no refunds of Citizens assessments paid in 2008 can be issued for refund requests received after December 31, 2012.

Claiming the credit for multiple properties

If a property owner has more than one property for which the Citizens assessments were paid, and claims the credit on the INS form, a Form R-INS Supplement must also be completed. Documentation for each property listed must be attached to the form when it is filed.

Filing multiple INS Request for Refund forms for the same year will delay processing of your refund. Claiming the credit for one property on the INS form and claiming the credit for another property on the same year's income tax return will also delay the processing of your refund. It is recommended that taxpayers wait until they have paid all Citizens assessments for all property they own and claim the credit for all properties either on the INS form or on the income tax return.

Required documentation for taxpayers claiming the credit on their income tax return

Paper returns:

A copy of the property's insurance declaration page and any supplemental pages that show the separate charges for the Citizens assessments must be attached to the income tax return.

Returns filed electronically:

Homeowners or property owners must retain their homeowner's or property's insurance declaration page and any supplemental pages that show the separate line item charges for four years and be able to produce the documents in the event of an audit.

Tax returns prepared by paid preparer:

Taxpayers must bring a copy of their homeowner's or property's insurance declaration page and any supplemental pages that shows the separate line item charges for the Citizens assessments to their preparer. Preparers may not claim this credit on a taxpayer's return without this documentation.

Substitute documents:

A substitute document issued by your insurance company that contains the line item Citizens assessments will be accepted if the original declaration page is not available.

Retention of documentation of proof of payment:

Individuals must keep any documents showing proof of payment for four years and be able to produce the documents in the event of an audit. Documents that will be accepted as proof of payment include cancelled checks, an image of a check, or an itemized escrow statement.

Required documentation for taxpayers claiming the credit on the INS form

Property owners must submit the property's insurance declaration page and any supplemental pages that show the separate line item charges for the Citizens assessment with the INS form. A substitute document issued by your insurance company will be accepted if the original declaration page is not available. The substitute document must include the policyholder's name,

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the address of the insured property, the day, month and year of the renewal, the amount of the total premium and the amount and description of the Citizens assessment.

Taxpayers using the INS form are not required to submit proof of payment with the INS form, however, documents showing proof of payment should be retained for four years. Documents that will be accepted as proof of payment include cancelled checks, an image of a check, or an itemized escrow statement.

Should the INS form be selected for audit, LDR will require each declaration page associated with that return as well as proof of payment of the Citizens assessment.

Interested parties should contact Customer Service at (225) 219-0102.

Jane Smith

Deputy Secretary